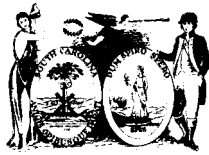


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
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September 28, 2001

Mr. Fred Todd, Vice-President Finance
Loris Community Hospital
3620 Stevens Street
Loris, South Carolina 29569

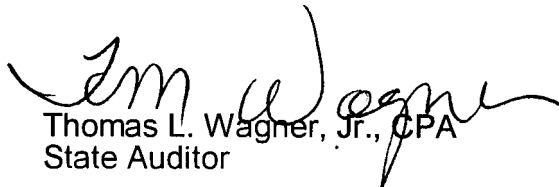
Re: AC# 3-LRS-J6 – Loris Hospital District d/b/a Loris Extended Care Facility

Dear Mr. Todd:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1995 through September 30, 1996. That report was used to set the rate covering the contract periods beginning October 1, 1997.

We are recommending that the Department of Health and Human Services certify an accounts payable for amounts underpaid as a result of the rate change shown on Exhibit A. You will be notified of payment by that agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph Hayes

**LORIS HOSPITAL DISTRICT
D/B/A LORIS EXTENDED CARE FACILITY**

LORIS, SOUTH CAROLINA

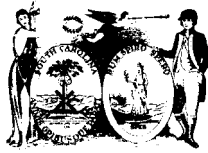
**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1997
AC# 3-LRS-J6**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

June 8, 2001

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Loris Hospital District d/b/a Loris Extended Care Facility, for the contract periods beginning October 1, 1997, and for the twelve month cost report period ended September 30, 1996, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

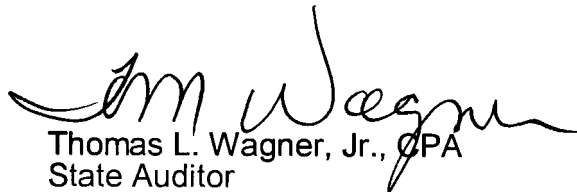
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Loris Hospital District d/b/a Loris Extended Care Facility, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Loris Hospital District d/b/a Loris Extended Care Facility dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
June 8, 2001

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

LORIS HOSPITAL DISTRICT D/B/A LORIS EXTENDED CARE FACILITY

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1997
AC# 3-LRS-J6

10/01/97-
09/30/98

Adjusted reimbursement rate	\$95.73
Interim reimbursement rate (1)	<u>95.70</u>
Increase in reimbursement rate	\$ <u>.03</u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 2000

LORIS HOSPITAL DISTRICT D/B/A LORIS EXTENDED CARE FACILITY
 Computation of Adjusted Reimbursement Rate
 For the Contract Periods October 1, 1997 Through September 30, 1998
 AC# 3-LRS-J6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$50.95	\$44.95	
Dietary		11.85	9.74	
Laundry/Housekeeping/Maint.		<u>9.21</u>	<u>7.72</u>	
Subtotal	\$ <u>-</u>	72.01	62.41	\$62.41
Administration & Med. Rec.	\$ <u>-</u>	<u>13.64</u>	<u>9.45</u>	<u>9.45</u>
Subtotal		85.65	<u>\$71.86</u>	71.86
<u>Costs Not Subject to Standards:</u>				
Utilities		2.94		2.94
Special Services		-		-
Medical Supplies & Oxygen		5.96		5.96
Taxes and Insurance		.88		.88
Legal Fees		<u>.06</u>		<u>.06</u>
TOTAL		<u>\$95.49</u>		81.70
Inflation Factor (4.40%)				3.59
Cost of Capital				9.94
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage Add-On				<u>.50</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$95.73</u>

LORIS HOSPITAL DISTRICT D/B/A LORIS EXTENDED CARE FACILITY

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1996
AC# 3-LRS-J6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,627,117	\$ -	\$ 7,082 (1)	\$1,620,035
Dietary	557,372	-	180,483 (1)	376,889
Laundry	31,409	-	6,420 (1)	24,989
Housekeeping	204,811	-	35,170 (1)	169,641
Maintenance	87,600	10,534 (1)	-	98,134
Administration & Medical Records	399,720	34,067 (1)	-	433,787
Utilities	95,215	-	1,635 (1)	93,580
Special Services	-	33,777 (1)	33,777 (2)	-
Medical Supplies & Oxygen	232,518	-	42,875 (1)	189,643
Taxes & Insurance	14,142	13,775 (1)	-	27,917
Legal Fees	-	1,990 (1)	-	1,990
Cost of Capital	285,091	1,106 (3)	16,880 (1)	316,071
	<u> </u>	<u>46,754</u> (4)	<u> </u>	<u> </u>
Subtotal	3,534,995	142,003	324,322	3,352,676

LORIS HOSPITAL DISTRICT D/B/A LORIS EXTENDED CARE FACILITY

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1996
AC# 3-LRS-J6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Ancillary	173,944	-	173,894 (1)	50
Non-Allowable	-	158,315 (1)	1,106 (3)	144,232
	<u> </u>	<u>33,777 (2)</u>	<u>46,754 (4)</u>	<u> </u>
Total Operating Expenses	<u>\$3,708,939</u>	<u>\$334,095</u>	<u>\$546,076</u>	<u>\$3,496,958</u>
Total Patient Days	<u>31,798</u>	<u>-</u>	<u>-</u>	<u>31,798</u>
TOTAL BEDS	<u>88</u>			

LORIS HOSPITAL DISTRICT D/B/A LORIS EXTENDED CARE FACILITY

Adjustment Report
Cost Report Period Ended September 30, 1996
AC# 3-LRS-J6

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Maintenance	\$ 10,534	
	Administration	34,067	
	Taxes and Insurance	13,775	
	Legal	1,990	
	Special Services	33,777	
	Nonallowable	158,315	
	Other Equity	211,981	
	General Services		\$ 7,082
	Dietary		180,483
	Laundry		6,420
	Housekeeping		35,170
	Utilities		1,635
	Medical Supplies		42,875
	Cost of Capital		16,880
	Ancillary		173,894
	To adjust cost centers to amounts per the Medicare cost report HIM-15-1, Section 2300		
2	Nonallowable	33,777	
	Special Services		33,777
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
3	Cost of Capital	1,106	
	Nonallowable		1,106
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		

LORIS HOSPITAL DISTRICT D/B/A LORIS EXTENDED CARE FACILITY

Adjustment Report
Cost Report Period Ended September 30, 1996
AC# 3-LRS-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
4	Cost of Capital Nonallowable	46,754	46,754
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	\$ <u>546,076</u>	\$ <u>546,076</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

LORIS HOSPITAL DISTRICT D/B/A LORIS EXTENDED CARE FACILITY
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 1996
 AC# 3-LRS-J6

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.1144</u>
Deemed Asset Value (Per Bed)	33,023
Number of Beds	<u>88</u>
Deemed Asset Value	2,906,024
Improvements Since 1981	38,626
Accumulated Depreciation at 9/30/96	<u>(479,849)</u>
Deemed Depreciated Value	2,464,801
Market Rate of Return	<u>.070</u>
Total Annual Return	172,536
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	172,536
Depreciation Expense	149,894
Amortization Expense	-
Capital Related Income Offsets	(6,359)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	316,071
Total Patient Days (Actual Days)	<u>31,798</u>
Cost of Capital Per Diem	\$ <u><u>9.94</u></u>

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